

Guest Editor's Introduction to the Special Issue: Best Value Procurement in the Netherlands

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“The worldwide marketplace is forcing the optimization of all functions and services. There is no place for waste in today’s economy. As processes become more efficient, they need less management, control and regulation, and more leadership, vision, and value. ‘Accountability’ will become the key issue” (Kashiwagi, in “Prestatieinkoop” by Van de Rijt & Santema, 2009a).

More than 15 years ago, Dean Kashiwagi created a process called Best Value Procurement/Performance Information Procurement System (BVP/PIPS) at Arizona State University. PIPS is a procurement method that aims to select the most suitable vendor for the job and to spur this vendor on to highest performance, while reducing the client’s management and control tasks (Kashiwagi, 2009b). Kashiwagi developed the method over several years with the objective of improving the procurement and management of construction projects by reducing risk in selecting the top performer. The BVP method exists of six steps, each built around a specific “filter” which focuses on a different element to separate high from low performers. Four filters are employed to select the best vendor, while two are related to project control.

At this moment the BVP process has been used in more than 700 tests with overall spending of \$2.3 billion. BVP is being used all over the US, being tested in Botswana, Finland, The Netherlands, Malaysia and many other places around the world. However, since most pilot projects have taken place in the United States, not much is known about experiences and results outside the US.

This Special Issue focuses on the application of BVP methodology in The Netherlands. After the US, the Netherlands is the country where BVP is applied on the largest scale. BVP in the Netherlands is applied in and outside construction (ship building, IT, health care), in the public sector as well as in the private sector and across numerous phases in (different) supply chains. In 2010 BVP is on its way to becoming the new way of procurement in The Netherlands, which is reason enough to publish this special issue.

The goal of this special issue is to explain the working of BVP in the context of European and Dutch legislation and to share the lessons learned from several cases in The Netherlands. In this introduction we will give a brief summary on the history of BVP in the Netherlands, after which we will describe the content of this issue.

A brief history of BVP in The Netherlands

Dean Kashiwagi and George Ang (from the Ministry of Housing) did the first introduction of BVP to major clients in The Netherlands in 2002. In 2003, employees from the Ministry of Transport as well as employees from a large construction company (Heijmans) attended the yearly Conference on Best Value Procurement in Arizona, USA. From that point on, Dutch participants regularly attended the conference.

The first BVP projects in The Netherlands started in 2005. Below a historical overview in a time line of known BVP projects that have been done in The Netherlands since the start in 2005.

Table 1

Historical Overview of Dutch BVP Projects

2005	Radboud UMC: maintenance projects (€700K)
2008	Heijmans: Bitumen supply (€12M) Ballast Nedam: Acoustic fencing along railway track (€300K) Ballast Nedam: Metal piles (not finished) IHC Merwede: Personal Protection Equipment (€500K) Ballast Nedam: Decorative prefab screen along railway (postponed) Heijmans: Bitumen emulsion/road surface dressing (€2M) IHC Merwede: Renovation of tugboats (not finished)
2009	Ballast Nedam: Fuels for cars and machinery (€8M) Heijmans: Gas iol supply for projects (€9M) Municipality of Den Bosch: Retention settling tank (€1M) Rijkswaterstaat: 16 infrastructural projects in the Fast Track Project (approx. €600M)
2010	Rijkswaterstaat: ESA project (€2M) Water board De Dommel: Hydrology services (€300K) Boehringer Ingelheim: Individual Business Travel (€75K) Ballast Nedam: Prefab concrete paving stones (€3M) Woningcorporation: Building seven apartments (€1M) Waterbedrijf Limburg (currently running: €1M) Ballast Nedam: Wholesalers for hardware and tooling (€6M) Corus: inspection and renovation of sewers (€600K)

As the table above shows, most projects took place in the construction industry. The application of BVP in construction must be seen in the context of the dramatic changes in the last decade. Up until 2000 the construction industry had all the features of a low-bid arena: specification, qualification, standards-based (Design-Bid-Build), and management and inspection by the client. Up until 1992 consultation about prices by the vendors was even legal.

In 2002 a number of fraud cases led to the installation of the Netherlands' parliamentary inquiry Committee of Construction Fraud. The most important recommendations of the Committee were threefold. First of all there was a need for harmonized procurement policies for public contract authorities. Secondly, public authorities should adapt their policies towards more integrated

project delivery models, such as Design-Build and Design-Build-Finance-Maintain. The third recommendation was to make more use of award criteria based on price *and* quality (use of so-called “Most Economically Advantageous Tender; or “MEAT”).

The Directorate-General of Public Works and Water Management (Rijkswaterstaat), part of the Ministry of Transport, Public Works and Water Management, anchored the policy of integrated contracts and the use of best value procurement in 2004 (Rijkswaterstaat, 2004). The ambition for 2012 is to award 90% of all contracts on quality and price (Rijkswaterstaat, 2008). A very specific way of awarding contracts based on quality and price is using the methodology of BVP.

A major milestone for BVP in The Netherlands was the decision in 2009 by Rijkswaterstaat to resolve 16 major road bottlenecks in the Netherlands using BVP. The so-called Fast Track Program (Programma Spoedaanpak Wegen) is the world’s largest BVP program with a combined worth of €600 million (\$800 billion).

Next to projects shown in Table 1, a Dutch CIB W117 (previously TG61) platform for discussion has been established by Sicco Santema and Jeroen van de Rijt. In this platform the practitioners of BVP share experiences and learning. This platform contains not only clients and vendors from the construction industry, but also professionals from other industries. In 2009, Van de Rijt and Santema published the first non-English book on BVP, which helped to share BVP methodology in new arenas.

Papers in this Special Issue

This Special Issue begins with an historical overview by George Ang, the person who introduced BVP in the Netherlands. Next Dean Kashiwagi describes the BVP methodology, its origins and developments in a paper called “Case Study: Best Value Procurement/Performance Information Procurement System Development.” All papers in this journal in which cases are outlined will reflect the way they applied this methodology. Then Sicco Santema presents an overview of BVP from a supply chain perspective.

Given the importance of procurement legislation in the public sector the fourth and fifth papers deal with specific European and Dutch legislation issues. Marianne Van Leeuwen describes her view on the applicability of BVP within European Legislation, while Ramona Apostol reflects her views in the following paper on the legal issues from the perspective of Dutch national legislation.

These legally-orientated papers are followed by a case study on the world’s largest BVP program: “Best Value at Rijkswaterstaat in The Netherlands” by Jeroen Van de Rijt, Wiebe Witteveen, Carlita Vis and Sicco Santema. The paper details the ways the Directorate-General has applied the different PIPS elements and identifies 11 differences with the “pure” PIPS methodology of Dean Kashiwagi. It then describes the results of the six procurement processes. The seventh paper deals with another project also within Rijkswaterstaat. Stan van Veenendaal and Wiebe Witteveen describe how the methodology works in a different environment, in

procuring engineering services to deliver an Environmental Impact Report in a project called EDCA (Extra Discharge Capacity Afsluitdijk).

Bas Plehn then describes the application of BVP in the same sector (engineering services), but in another area of the public sector, a water board. Water boards are among the oldest forms of local government in the Netherlands, some of them having been founded in the 13th century. However, this does not imply that their procurement processes are “traditional”.

“Retention settling tank at the Municipality of Den Bosch” by Gard van Hulzen is the ninth paper in this issue. It is an example where the client (Den Bosch) is being educated from parties downstream in the value chain (Breijn, part of construction company Heijmans). This paper shows the applicability of the methodology in a municipality and is the “bridge case” between the public and private sector applying BVP.

In the next paper Guido Koreman of construction company Ballast Nedam, describes the BVP projects his company been doing since 2008 (upstream in the value chain). It is the first paper in this journal in the private sector. Building on his experiences, he designed a portfolio model and makes suggestions on implementing BVP as a procurement philosophy in an organization. The eleventh and final paper in this Special Issue is written by Marco van der Heijden from global pharmaceutical company Boehringer Ingelheim. Van der Heijden describes a pilot project where Individual Business Travel is being procured. The pilot shows that the methodology also works when procuring services outside the construction industry.

The Future

Throughout this Special Issue, one will notice the variety in projects that have been done, in both the public and private sector, in construction and outside construction, downstream and upstream in the value chain, projects with a “beginning and end” and so-called IDIQ contracts. BVP is still in a very early stage in The Netherlands. In each of the organizations the described projects only form a very small portion of the total procurement portfolio. When taking an even bigger perspective (total Dutch procurement) the BVP projects seem negligible in size. However, a movement has been started that focuses more and more on quality. There is a momentum in The Netherlands, also noticeable when looking at the number of attendees in conferences on this topic.

As you will recognize in the papers of this Special Issue, the results of the projects are not realized automatically. It requires constant education of employees inside the own organization and of the vendors, and a real effort to implement a change.

The future is bright. The verifiable results of the project will show a need for further implementation of BVP across different industries and across different product and different stages in the value chain. We will write follow-up papers as we work on additional projects and see more results.

Final Words from the Guest Editors

We would like to thank the authors and reviewers that contributed to this Special Issue. We would also like to thank the staff at PBSRG for correcting our (non-native) English grammar. We sincerely appreciate all your help. A special thank-you to Dean Kashiwagi, with whom we worked closely the last years, and who laid the foundation for this Special Issue with his methodology.

The Special issue editors:

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